

**EXECUTIVE ORDER TWENTY  
SEMI-ANNUAL REPORT  
JUNE 2010**

**Jointly Submitted by Departments of Management and Administrative Services**



July 2, 2010

To: The Honorable Chet Culver  
Governor, State of Iowa  
State Capitol Building  
Des Moines, IA 50319

Dear Governor Culver:

Please find enclosed the first Semi-Annual Status Report of Executive Branch cost-savings actions set forth in Executive Order 20 (EO 20). This Report is intended to provide an update on the implementation progress made to date on cost-savings initiatives directed by you in EO 20 as well as the status of cost-savings associated with Senate File 2088 and Senate File 2062.

In December 2009, the Governor's Office released the Iowa Efficiency Review Report, which outlined sweeping reforms and cost-saving measures to make state government more lean and efficient. The 90 recommendations contained in the Efficiency Review Report outlined \$340 million in potential cost-savings measures in the first year of implementation, and nearly \$1.7 billion over the next five years. The recommendations included:

- **Being smart purchasers:** using state master contracts for commonly purchased goods, and negotiating Medicaid durable medical equipment prices.
- **Managing state assets better:** reducing the state's car fleet; consolidating property management; and selling surplus properties that are no longer critical to a department's mission.
- **Taking full advantage of e-government solutions:** consolidating the state's 223 data centers; increasing e-filings and payments; and expanding telemedicine opportunities.
- **Delivering government services more efficiently:** consolidating facilities and programs; and consolidating administrative functions.
- **Leveraging funds and improving financial management:** increasing efforts to collect debt and making it easier to collect unpaid taxes.

Of the 90 recommendations contained in the Iowa Efficiency Review, 40 represented recommendations for Executive Action, 45 were recommendations for Legislative Action and five were for further analysis and consideration. The Culver-Judge Administration has moved forward aggressively on all fronts since the release of the Efficiency Report to capture cost-savings and to deliver state services more efficiently.

First, in mid-December 2009, you signed EO 20, which directed the Iowa Departments of Management (DOM) and Administrative Services (DAS) to immediately begin implementing the Efficiency Review recommendations incorporated into the EO. The total projected cost savings for the recommendations listed in EO 20 was approximately

\$70.6 million. Cost-savings from those recommendations and some new ideas are currently anticipated to yield more than \$84.2 million by the end of FY 2011.

Second, in February 2010, Senate File 2062, the State Employee Retirement Incentive Program (SERIP), was signed into law, triggering early retirement for thousands of Executive Branch employees and projected savings of approximately \$57 million for all funds. This legislation received bi-partisan support and passed the House of Representatives by a 98-1 margin and the Senate with a 41-6 vote. Since then, the number of State employees opting for early retirement has exceeded projections. In fact, as of June 24th, 2010, DOM was projecting that SERIP will generate approximately \$88.6 million cost-savings from all funds, including approximately \$42 million in the General Fund, substantially more than originally estimated.

Third, in March 2010 you signed into law, Senate File 2088, one of the broadest state government reorganization measures incorporating many of the recommendations of the Efficiency Report, was signed into law. The Reorganization Bill is expected to save taxpayers about \$126 million in General Fund dollars. The bill included cost- savings based on increased efficiencies in personnel management and new advances in the uses of technology. Implementation of SF 2088 is on-going, but many of the cost- savings described in SF 2088 have already been incorporated into Iowa's FY 2011 budget.

Fourth, in conjunction with the implementation of EO 20 and SF 2088, the Board of Regents has been working closely with the DOM and DAS to identify and document the Regents' on-going efforts to identify cost-savings and efficiencies. Since December 2009, the Board of Regents has been working to identify up to \$25 million in new cost-savings initiatives and proposals that will be implemented in FY 2010 and FY 2011. On March 24, 2010, Regents President David Miles issued a Directive on cost- savings requesting the Regents institutions redouble their efforts to find additional efficiencies and cost savings.

The Regents' initiative is ongoing, but has already identified 22 cost- savings recommendations that will be implemented in FY 2010 and FY 2011. For your ease of reference, this report includes the Board of Regent's "Summary of Recommendations on Efficiencies and Cost -Savings for FY 2011" (Section 3). These Regents recommendations cover a wide range of innovative proposals including:

- Additional early retirement programs at the University of Iowa and Iowa State University;
- Energy efficiency and sustainability programs that will save energy costs;
- Cost- savings innovations in fleet management;
- A proposal to improve quality and achieve significant cost savings in Regents building design and construction processes; and
- Software sharing and joint licensing agreements among SUI, ISU and UNI.

In addition, the Regents have been a national leader on innovative procurement policies that reduce costs. Regents have proposed collaborative efforts with state Departments on

a procurement card review and master contracts. Both initiatives will not only cut costs for Regents, but they will also allow participating Departments to lower their costs as well. These collaborative proposals offer a win-win to taxpayers as both the Regents and state agencies will both be able to cut the costs of some supplies purchased and lower the transaction costs of those purchases.

DOM and Public Works LLC continue to provide technical assistance to Departments on some of the more complex recommendations. For example, both EO 20 and SF 2088 call for the consolidation of IT services and infrastructure across state government. IT consolidation has been undertaken in 37 other states and in many instances has resulted in greater efficiency, improved customer service and millions of dollars in cost-savings. IT consolidation however is a complex, multi-year efficiency measure that requires consensus-driven strategic planning for successful implementation.

On April 21, 2010, DOM and Public Works LLC collaborated with the non-profit Center for State Innovation (CSI) to host a Policy Academy in Des Moines. CSI sponsored the Policy Academy which was held at no cost for the State of Iowa. The Policy Academy was co-organized with the Pew Center on Government Performance who provided national IT consolidation experts to participate as panel members and presenters. Also presenting were the IT CIOs of Michigan, Indiana and Colorado – three states that have successfully implemented IT consolidation. Approximately 80 Iowa state government employees with leadership positions in their IT Offices participated in the Policy Academy. State Department leadership had an opportunity to ask their peers from other states about the details of how their states were able to integrate IT systems while maintaining the integrity of their individual Department missions and security requirements. During the Policy Academy, Michigan, Colorado and Indiana all reported that IT consolidation had achieved significant cost- savings for taxpayers.

Together, EO 20 (\$84.2 million with Regents), SERIP (\$88.6 million) and SF 2088 (\$126.0) will benefit Iowa taxpayers nearly \$298.8 million.

As you know, the projected cost-savings for any specific initiative may fluctuate, and some will be higher and some lower than originally projected. In fact, we are still at the beginning stage of EO 20 actions for FY 2011 and recommend another Executive Order to assist with achievement of additional efficiencies. Nonetheless, we are on-track to achieve the original targets for EO 20, SERIP, SF 2088 and the Regents. There is potential for additional cost-savings in FY 2011 beyond the projections outlined in this report. DOM, DAS and Public Works will continue to collaborate to further capitalize on existing EO 20 initiatives as well as to identify new efficiencies. For instance, we believe broader application and greater expediency in expanding P card use can generate FY 2011 cost-savings beyond the projected \$257,000, possibly \$750,000.

Table 1 below lists each of EO 20's 39 specific initiatives, as outlined in paragraph 2 of the Order, and lists the state agency designated with lead responsibility for implementing each initiative.

**Table 1**

<b>EO 20 ITEM</b>	<b>Description</b>	<b>Department Designated to Lead Implementation</b>
2A	Consolidate Information Technology (IT) planning and operations to the extent reasonably possible	DAS
2B	Consolidate all state e mail systems	DAS
2C	Consolidate wireless equipment purchasing and service contracts	DAS
2D	Negotiate statewide IT technology service contract	DAS
2E	Negotiate statewide IT and office equipment maintenance contracts	DAS
2F	Increase the use of new technologies such as Thin Client Technologies	DAS
2G	Reduce the size of the state motor vehicle fleet and change mileage and take-home policies	DAS
2H	Consolidate Department of Natural Resources (DNR) offices in Des Moines	DAS/DNR
2I	Require state agency purchasing from master contracts	DAS
2J	Improve the state's debt collection practices	Revenue
2K	Join multi-state lawsuit on escheat of unclaimed U.S. Bonds	DOM/IGOV
2L	Strengthen Medicaid integrity efforts	DHS
2M	Ensure that Iowa is getting the best purchase prices for required Medicaid medical equipment	DHS
2N	Modify the Medicaid Durable Medical Equipment rental vs. purchase policies	DHS
2O	Update Nursing Home Recoverable Cost Regulations to assure that the state's financial interests are fully protected	DIA
2P	Claim federal reimbursement for eligible inmate hospital care	U of I Hospital Schools
2Q	Modify Medicaid prescription drug purchasing	DHS
2R	Reinstate the use of telemedicine services between the Department of Corrections and the University of Iowa Hospitals and Clinics	DOC
2S	Modify child support and recovery funding	DHS
2T	Increase the Juvenile Court Services' claims for Title IV-E reimbursement	Courts
2U	Claim Title IV-E reimbursements for eligible placements and license all relative homes	DHS
2V	Eliminate the least efficient state print shops	DAS
2W	Consolidate administrative functions at DHS institutions	DHS
2X	Modify and simplify the entrepreneurial model	DAS
2Y	Modify warehouse policies to take advantage of the newest techniques to reduce warehouse costs	DOT
2Z	Consolidate state agency mailrooms and modify mail delivery policies	DAS

2AA	Reduce spending on periodicals and subscriptions	DOM
2BB	Reduce architecture, engineering and attorney contracts when cost-benefit ratios indicate that the state can perform the work at reduced costs	DOT
2CC	Require state employees to pay for safety courses when they have been required due to employees' driving violations	DAS
2DD	Reduce the number of Human Resource staff members in agencies and departments	DAS
2EE	Expand the use of state garages to reduce the costs of contracted private garages	DAS and DOT
2FF	Conduct energy efficiency retrofits for state buildings	OEI
2GG	Require newly-hired state employees to use payroll direct deposit	DAS
2HH	Conduct an audit of state employee health insurance enrollees to identify ineligible dependents	DAS
2II	Improve the coordination of law enforcement at state parks	DNR
2JJ	Increase the number of volunteer and intern programs at state parks	DNR
2KK	Accelerate assessments for compliance violations under Iowa's Workers' Compensation Law	IWD
2LL	Improve collection processes for Unemployment Taxes	IWD
2MM	Encourage larger state agencies to support budget, accounting and pre-audit services for smaller state agencies	DOM

To ensure thorough and timely compliance with EO 20, state agencies designated with lead implementation responsibility were required to submit action plan templates detailing specific strategies, tasks and timelines for implementing each recommendation to DOM and DAS.

The Preliminary EO 20 report provided implementation plans for each of the 39 initiatives set forth in your Executive Order including the following:

- Timelines for implementing, analyzing, and evaluating each EO 20 action;
- Alternative proposals when cost-savings could not be achieved in a manner described in EO 20; and
- Additional cost-savings measures, not identified in the Iowa Efficiency Review Report, that DOM and DAS believed could be initiated without statutory changes.

Furthermore, EO 20 also directed DOM and DAS to submit to the Governor's Office semi-annual status reports on implementation progress beginning in June 2010. Pursuant to this Order, in this first Semi-Annual Status Report we submit the following:

- FY 10 savings-to-date for each of the implemental actions established in paragraph 2 of EO 20 (Section 1 of this report);
- Anticipated future cost-savings for each action to occur in FY2011 (Section 1);
- Estimated savings for actions described in Executive Order 20 that agencies are pursuing in an alternative manner (noted as "ALT" recommendations in the chart in Section 1);
- Further analyses and evaluation for potential cost-savings and revenue generation opportunities set forth in paragraph 3 in EO 20 (Section 1 of this report);

- Additional measures that DOM and DAS believe could improve state agency performance in the delivery of services (Section 2 of this report); and
- A Summary of the Board of Regents efficiency and cost savings measures proposed and implemented to date (Section 3 of this report).

Implementing these efficiencies will help to save taxpayer dollars; change the way state government operates, and make the delivery of services more efficient.

Sincerely,

Ray Walton,  
Director, Department of Administrative Services

Richard Oshlo,  
Director, Department of Management



## Section 1: Executive Order 20 Savings

EO 20 Item #	Short Description	Public Works Year One Total Savings Estimate (Includes FY 10 and 11 savings)	Fiscal Year 2010 Estimated Total Savings from Agencies	Fiscal Year 2011 Estimated Total Savings from Agencies	Total Fiscal Year 2010- 2011 Estimated Savings from Agencies
2A	Consolidate IT planning and operations (The \$1 million savings figure for FY 11 in the "agencies estimate" columns includes savings for items 2B and 2F below)	-\$7,900,000	\$0	\$1,000,000	\$1,000,000
2B	Consolidate state e-mail systems (FY 11 savings are included in 2A above)	-\$1,000,000	\$148,997		\$148,997
2C	Consolidate wireless equipment purchasing/service contracts	\$250,000	\$0	\$0	\$0
2C ALT	Launch a pilot project to replace some land lines with cell phones,(\$42,000) switch one-half of cell phone users to personal plans (\$480,000) and audit cell phones for inaccurate billings.			\$522,000	\$522,000
2C ALT	ICN rate reductions			\$500,000	\$500,000
2D	Negotiate statewide IT service contracts	\$1,500,000	\$0	\$750,000	\$750,000
2E	Negotiate statewide IT and office equipment maint. contracts	\$2,000,000	\$0	\$1,700,000	\$1,700,000
2F	Increase the use of new technologies (FY 11 savings are included in 2A above)	\$100,000	\$763,000	\$0	\$763,000
2G	Reduce state fleet, modify use policies (savings include DAS and DOT projections)	\$3,500,000	\$7,371,544	\$3,138,183	\$10,509,727
2H	Consolidate DNR office in DSM	\$300,000	\$0	\$94,896	\$94,896
2I	Require use of master contracts	\$15,000,000	\$0	\$5,000,000	\$5,000,000
2J	Improve debt collection process	\$22,200,000	\$4,500,000	\$14,700,000	\$19,200,000
2K	Join lawsuit of escheat on US Bonds	\$0	\$0	\$0	\$0
2L	Strengthen Medicaid integrity efforts	\$8,100,000	\$0	\$8,100,000	\$8,100,000
2M	Ensure best prices for Medicaid medical equipment.	\$500,000	\$0	\$500,000	\$408,650
	Change fees in these areas: • Oxygen concentrators • Incontinence supplies (adult diapers) • Supplies for external drug infusion pump • Changing the requirement for oxygen in Nursing Facilities to match Medicare.				

<b>EO 20 Item #</b>	<b>Short Description</b>	<b>Public Works Year One Total Savings Estimate (Includes FY 10 and 11 savings)</b>	<b>Fiscal Year 2010 Estimated Total Savings from Agencies</b>	<b>Fiscal Year 2011 Estimated Total Savings from Agencies</b>	<b>Total Fiscal Year 2010- 2011 Estimated Savings from Agencies</b>
2N	Modify Medicaid equipment versus purchase policies	\$200,000	\$125,314	\$200,000	\$325,314
2O	Update Nursing Home Recoverable Cost regulations	\$800,000	\$0	\$2,300,000	\$2,300,000
2P	Claim federal reimbursement for inmate hospital care	\$1,500,000	\$0	\$0	\$0
2Q	Modify Medicaid prescription drug purchasing	\$1,800,000	\$869,000	\$1,800,000	\$2,669,000
2R	Reinstate telemedicine	\$200,000	\$75,444	\$150,888	\$226,332
2S	Modify child support and recovery funding	\$228,000	\$228,000	\$228,000	\$456,000
2T	Increase Juvenile Court services claims for Title IV-E reimbursement	\$240,000	\$0	\$0	\$0
2U	Claim Title IV-E reimbursements for eligible placements	\$0	\$0	\$0	\$0
2U ALT	Modify methods for delivering Mandatory Abuse Training	\$0	\$30,000	\$30,000	\$60,000
2V	Eliminate the least efficient print shops	\$200,000	\$450,000	\$200,000	\$650,000
2W	Consolidate administrative functions at DHS institutions	\$1,400,000	\$0	\$1,400,000	\$1,400,000
2X	Modify/simplify entrepreneurial model	\$365,000	\$217,345	\$448,706	\$666,051
2Y	Utilize new techniques to reduce warehouse costs	\$600,000	\$15,159	\$107,250	\$122,409
2Z	Consolidate mailrooms and modify mail delivery policies	\$110,000	\$0	\$102,835	\$102,835
2AA	Reduce spending on periodicals and subscriptions	\$230,000	\$0	\$230,000	\$230,000
2BB	Reduce architectural, engineering and attorney costs	\$7,400,000	\$0	\$0	\$0
2CC	Require state employees to pay for required driver safety courses	\$2,500	\$0	\$0	\$0
2DD	Reduce Human Resource Staff in Agencies	\$425,000	\$0	\$673,703	\$673,703
2EE	Expand use of state garage to reduce private garage cost	\$115,000		\$40,846	\$40,846
2FF	Conduct energy efficiency retrofits for state buildings	\$460,000	\$0	\$460,000	\$460,000
2FF ALT	Conduct utility billing audits through a third party contractor.(savings is included in 2FF above)		\$0	\$0	\$0
2GG	Require new employees to use direct payroll deposit	\$45,000	\$0	\$0	\$0
2HH	Conduct audit to identify ineligible health insurance recipients	\$3,000,000	\$0	\$569,155	\$569,155

EO 20 Item #	Short Description	Public Works Year One Total Savings Estimate (Includes FY 10 and 11 savings)	Fiscal Year 2010 Estimated Total Savings from Agencies	Fiscal Year 2011 Estimated Total Savings from Agencies	Total Fiscal Year 2010- 2011 Estimated Savings from Agencies
2HH ALT	Require all agencies with employees in the State's health and dental insurance program, including Regents, to utilize IowaBenefits	\$0	\$0	\$0	\$0
2II	Improve coordination of law enforcement at state parks	\$0	\$0	\$0	\$0
2JJ	Increase volunteer and intern programs at state parks	\$70,000	\$0	\$0	\$0
2KK	Accelerate assessments for Worker's Comp violations	\$960,000	\$0	\$960,000	\$960,000
2LL	Improve collection processes for Unemployment Taxes	\$0	\$0	\$0	\$0
2MM	Encourage larger agencies to support smaller agencies	\$0	\$0	\$0	\$0
3A	Launch Employee Wellness initiatives	-\$200,000	\$0	\$0	\$0
3B	Require family health insurance enrollment (2 spouses-state employees)	\$2,400,000	\$0	\$0	\$0
3C	Reduce/eliminate deferred comp. contribution for non-contract staff	\$1,400,000	\$1,200,000	\$0	\$1,200,000
3D	Evaluate cost-benefit of 10-hour, 4-day work week	\$2,000,000	\$0	\$20,000	\$20,000
3E	Pay employees on a semi-monthly basis	\$112,000	\$0	\$0	\$0
3E ALT	Change issuance of payroll warrants from Friday to Monday (proposal to implement in FY 12- \$63,000 savings)		\$0	\$0	\$0
	<b>EO 20 Efficiency Review initiatives TOTALS:</b>	<b>\$70,612,500</b>	<b>\$15,993,803</b>	<b>\$45,926,462</b>	<b>\$61,828,915</b>
	<b>EO 20 Other Ideas for Additional Savings (see Section 2 of this report) TOTALS:</b>			<b>\$3,004,772</b>	<b>\$3,004,772</b>
	<b>Board of Regents Efficiency and Cost Savings (see Section 3 of this report) TOTALS:</b>			<b>\$19,339,000</b>	<b>\$19,339,000</b>
	<b>Total Savings and Efficiencies – All Above Items</b>				<b>\$84,172,687</b>

## Section 2: Additional Ideas for Savings and Improved State Government Service

The Department of Management and Public Works LLC continue working with all Executive Branch agencies to identify innovative cost-savings and revenue generation ideas that promote good stewardship of public dollars and maintain quality services for all Iowans. State agencies have proven their on-going commitment to these goals by identifying additional ideas for savings throughout the EO 20 implementation process. The chart below lists some of the additional savings ideas generated by departments to date. These ideas have currently been submitted to the Governor's Office and Department of Management for review and approval.

Agency	Idea Description	Fiscal Year 2010 Estimated Savings	Fiscal Year 2011 Estimated Savings	Total Fiscal Year 2010-2011 Estimated Savings
DAS	Increase the number of vendor payments through P Cards in lieu of invoices		\$257,000	\$257,000
DAS	Reorganize Wallace Building space, consolidate facility/maintenance personnel at the seat of government and provide DAS	\$173,893	\$1,263,879	\$1,263,879
DAS	Eliminate employee benefits for part-time Regents employees		\$1,300,000	\$1,300,000
DOT	Use a nitrogen tire filling machine to replace nitrogen in tires		\$10,000	\$10,000
	<b>TOTALS:</b>	<b>\$173,893</b>	<b>\$2,830,879</b>	<b>\$3,004,772</b>

The Department of Management and Public Works LLC continue to conduct regular EO 20 implementation meetings with representatives from designated lead agencies to discuss progress and provide technical assistance and guidance as appropriate. Pursuant to EO 20, DOM and DAS will provide the Governor's Office implementation updates on a semi-annual basis.

**Section 3: Board of Regents**  
**SUMMARY OF REGENTS RECOMMENDATIONS ON**  
**EFFICIENCIES AND COST SAVINGS FOR FY 2011**

	<b>Year 1 Estimated Cost Savings/ Revenue</b>	<b>Comments</b>
<b>Topic Area</b>	<b>Goal - \$25,000,000</b>	
Early Retirement Programs	SUI – ERIP 2 <sup>nd</sup> Phase - \$1.6M ISU - Retirement Incentives Option 2 - \$6.2M (all Funds) Option 3 - \$9.4M (all Funds)	
Energy Efficiency and Sustainability Initiatives (may include projects coordinated with OEI)	OEI has a \$3M set aside for Regents that will help launch \$9M in energy efficiency building management projects. Cost savings to be determined when projects are selected in June 2010.	SUI – Razing of Oakdale Hall – will also generate \$2M in energy cost savings in FY 2011
Disaster Relief Purchasing	RFP awarded to Cotton and Service Master	Savings will be created by having vendors contracted at negotiated rates during a non-crisis period of time, so that contracts are in place immediately should a disaster occur in the future.
Fleet Operations Task Force	ISU made a change in its vehicle disposal guidelines in 2009 – resulting in a one time savings of \$500K in FY2010 and FY 2011.	
Cell Phone Service Review by Task Force	Cell Phones - ISU has the lead on a new RFP; will be a joint RFP with DAS & DOT. Anticipated savings \$50K - \$70K	
Procurement Card Review (may include joint participation by DAS)	Regents able to expand US Bank Agreement to DAS. US Bank contract will increase revenues (rebates) for DAS by \$153,000 and for Regents by \$53,000	This initiative has the potential to increase cost savings as additional goods are purchased by Departments with P-Cards instead of paper warrants. BOR has already captured significant cost savings.
SciQuest Software Expansion to State Agencies	Board of Regents is working with SciQuest on a pricing structure. DAS may be able to avoid filling 2 vacant positions with e-procurement system. Regents' savings estimate \$225K.	
Spend Compass Review (may include ARRIBA Analysis)	This proposal is still in development.	

Topic Area	Year 1 Estimated Cost Savings/ Revenue	Comments
Opportunity for Additional Joint Contracts	\$250K in cost savings	
Technology Collaboration Task Force	UI & ISU negotiated a joint VMWare licensing – savings \$320K	
SUI/DAS Contract Comparisons (may include: Auto Parts, Environ. Consult. Digital Scanning, Syringes, Gloves, Bed Linen, Pads, Presort Mail Services, Ammunition, Chartered Air, Mattresses)	April 1, 2010 Joint Regents/DAS/DOT/IBA Contract will save SUI \$300K	There may be additional cost savings for Departments and other BOR institutions.
Further Adaption of E-Filing Solutions – Electronic Bid Documents – Facilities Projects	\$500K - \$600K in cost savings	
Real Estate Leasing and Property Management Review	Ongoing review but already managed efficiently – no cost savings identified	
Bond Refunds	\$684K in reduced interest costs	
Integrated Delivery Methods	\$5M in cost savings	This proposal would allow BOR to use alternative delivery systems on construction projects. This will require legislative action.
Workers Compensation Review	\$400K - \$700K in cost savings	Proposal still under development.
Software Licensing Review	\$25 - \$50K in cost savings	
Joint software/hardware purchasing	\$34K - \$85K in cost savings	
Joint Facilities Equipment Purchasing	\$50K in cost savings	
ARRA and Other One-Time Funding for Cost-savings and Additional Revenues	SUI - \$2.6M in cost savings SUI - \$2.7 in additional revenues	This is an innovative competitive grant program designed by SUI to use ARRA grant funding to generate costs saving and revenue enhancement proposals. Estimates are for SUI only.
Employee Benefits Review	SUI - \$500,000	

Revised - June 30, 2010